Public Service Superannuation Plan Trustee Inc.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN 2012-13 ANNUAL REPORT

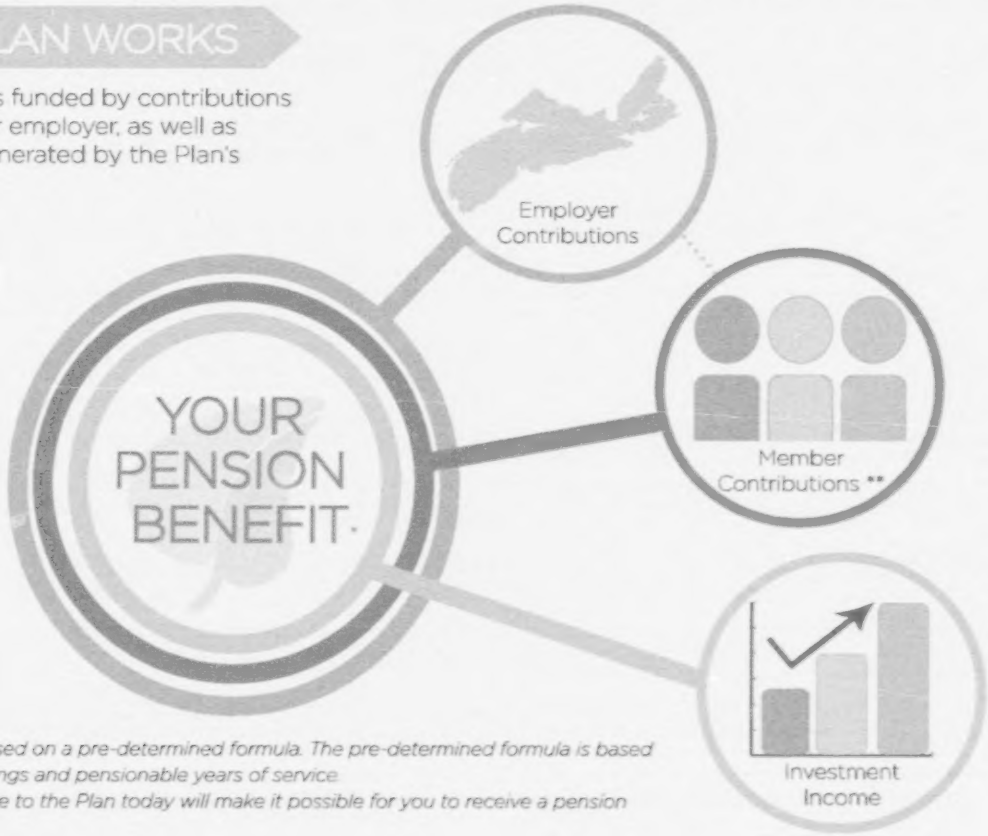
YOUR PUBLIC SERVICE SUPERANNUATION PLAN

The Nova Scotia Public Service Superannuation Plan (the "Plan" or the "PSSP") is one of the largest public sector pension plans in the province. The Plan is a defined benefit pension plan that offers you a lifetime pension benefit when you retire. It serves an important part in helping you be financially secure during your retirement years. This Annual Report details the Plan's investment performance and financial health as at March 31, 2013.*

**Please note that the Financial Statements are reported at fiscal year-end March 31, 2013, while the Plan Valuation (which is an independent actuary's annual assessment of the Plan's long-term financial situation) is reported at year-end December 31, 2012.*

HOW THE PLAN WORKS

Your pension benefit is funded by contributions made by you and your employer, as well as investment income generated by the Plan's investment assets.



** Your pension benefit is based on a pre-determined formula. The pre-determined formula is based on your pensionable earnings and pensionable years of service.*

*** The contributions you make to the Plan today will make it possible for you to receive a pension benefit when you retire.*

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Through strong leadership, provide high quality and affordable pension benefits and services, now and in the future.

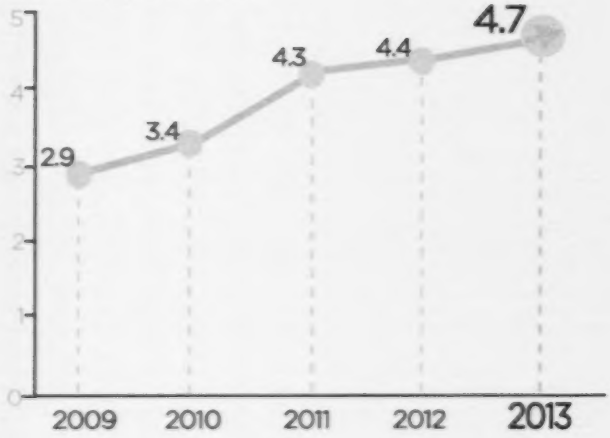
YOUR PUBLIC SERVICE SUPERANNUATION PLAN *AT A GLANCE*

INVESTMENT RETURN FOR 2012-13

As of March 31, 2013, the Plan achieved a positive return on investments of 10.41 per cent. This is above the benchmark of 8.49 per cent. Investment returns are reported gross of investment management fees.

NET ASSETS AVAILABLE FOR BENEFITS

$ Billions at March 31, 2013



As of March 31, 2013

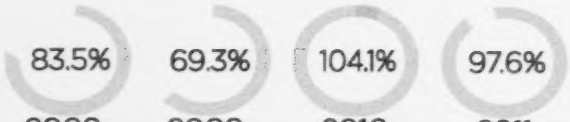
PENSIONS PAID: $255 million

CONTRIBUTIONS TO THE PLAN

MEMBERS: $84 million

EMPLOYERS: $84 million

The Plan's funded ratio was 96.1 per cent as of December 31, 2012. A funded ratio of 100% or more would mean that the Plan is fully funded.



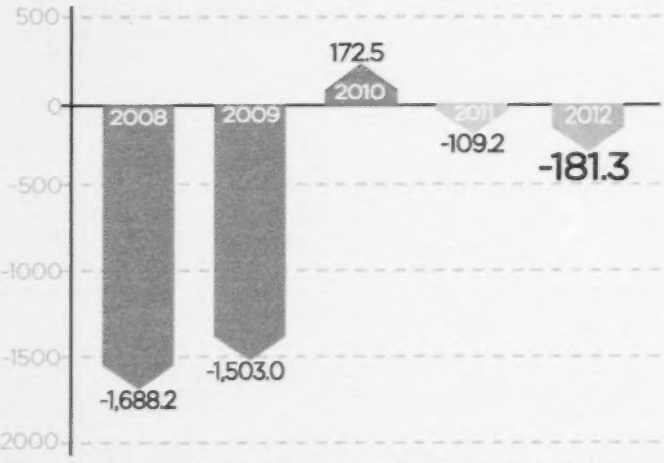
Since 2010, the Plan reports its assets on a smoothed basis. On a market value basis, the Plan had a funded ratio of 97.8 per cent as of December 31, 2012.

WHAT IS SMOOTHING?

- it is a method of evening out the volatility in investment gains or losses
- it increases stability over short periods (5 years with the PSSP)
- it spreads out the impact of market swings and other variations, keeping the pension plan more stable over the short-term

UNFUNDED LIABILITY

$ Millions at December 31, 2012



For more information on the Plan's unfunded liability, see page 8.

2012-13 MEMBERSHIP SUMMARY

As of December 31, 2012, the Plan had a total of 31,973 members. The membership breakdown is as follows:

** Inactive members are Plan members who have terminated employment, but have not yet retired or removed their funds from the Plan.*

The Plan had 1.23 active members for each pensioner. A low ratio of working-to-retired members creates a greater impact on active Plan members to cover any shortfalls or investment losses.

MEMBERSHIP FACTS:

47.5
Average age of an active member

69.5
Average age of a retired member

668
New Retirees in 2012

$18,457
Average annual lifetime pension (retired member)

10
Pensioners over 100 years of age

PLAN MATURITY

The PSSP is a mature pension plan. This means the number of pensioners and employees near retirement is significantly greater than the number of younger Plan members. Mature plans usually pay out more to pensioners than they receive in contributions from members and employers.

CHALLENGES IMPACTING DEFINED BENEFIT PENSION PLANS

While the Plan performed well in 2012-13, it continues to be a challenging environment for most defined benefit pension plans in Canada and worldwide. A contributing factor to the Plan's strong performance is due to Plan amendments that were implemented in 2010 and were designed to ensure the Plan would be approximately 100 per cent funded by 2011.

ECONOMIC CHALLENGES:

Many pension plans have had to lower their expectations for future investment returns due to record low interest rates and recent market performance.

DEMOGRAPHIC CHALLENGES:

Plan members are living longer and spending more time in retirement. Pensions are being paid for a longer period of time.

"I am very pleased to have been chosen to chair this new Trustee Board which will work diligently to protect retirement security for all Plan members."

-R. SMITH,
PSSPTI CHAIR

MESSAGE FROM THE CHAIR

RON SMITH, FCA, ICD.D

On behalf of the Trustee of the Public Service Superannuation Plan, I am pleased to present the annual report of the Plan for the fiscal year ended March 31, 2013. This report provides you with details on the financial health of the Plan and a comprehensive review of its investment activities.

As of December 31, 2012, the Plan was approximately 96.1 per cent funded.

The Plan performed well in 2012-13, earning a return on investments of 10.41 per cent, outperforming both the actuarial assumed rate of return and the investment policy benchmark.

While the Plan had a strong performance in 2012-13, defined benefit pension plans in Canada and world-wide continue to be impacted by economic and demographic challenges. Canadians are living longer, while interest rates are low and are not expected to increase in the short-term. Many pension plans are facing significant funding deficits and many are exploring structural changes to their plans to ensure they remain sustainable and affordable.

In response to these challenges, the Plan was amended under the *Financial Measures (2012) Act*. The *Financial Measures (2012) Act* contained the *2012 Public Service Superannuation Act* which:

- implemented an improved funding policy that is designed to promote the Plan's long-term sustainability; and
- introduced a stronger governance structure by establishing the Public Service Superannuation Plan Trustee Inc. (the "PSSPTI") as the Plan Trustee.

The *Financial Measures (2012) Act* also contained the *2012 Nova Scotia Pension Services Corporation Act* which created the Nova Scotia Pension Services Corporation (the "Pension Services Corp.") to administer the Plan. Pension Services Corp. is under the direction of the PSSPTI and the Teachers' Pension Plan Trustee Inc.

The Public Service Superannuation Plan Trustee Inc., *your Plan Trustee*

The PSSPTI is comprised of dedicated and capable directors representing both employees and employers, and is a 50 per cent shareholder of Pension Services Corp. I am very pleased to have been chosen to chair this new Trustee Board which will work diligently to protect retirement security for all Plan members.

I would like to recognise the leadership of the 2012 interim PSSPTI chair, Rod Burgar, for his diligence and effectiveness in steering the new Trustee smoothly through the transition to the Plan's new governance structure.

I would also like to thank the Pension Services Corp. team for their commitment to the Plan's long-term sustainability through their solid management of the Plan's assets and for their dedication in providing excellent Plan member and employer services.

PLAN GOVERNANCE

ensures the Plan is administered responsibly and in the best interest of all Plan members

The Public Service Superannuation Plan Trustee Inc. (the "PSSPTI") is the Trustee of the Nova Scotia Public Service Superannuation Plan (the "PSSP") and the Public Service Superannuation Fund. The PSSP is governed by the 2012 *Public Service Superannuation Act*.

The Board of Directors of Pension Services Corp. (the "Board") includes directors from the PSSPTI and the Teachers' Pension Plan Trustee Inc. (the "TPPTI"). The Board oversees the overall operations and management of Nova Scotia Pension Services Corporation (the "Pension Services Corp.").

Pension Services Corp. is jointly owned by the PSSPTI and TPPTI to administer the pension benefits and investment assets of the PSSP and the Teachers' Pension Plan.

Through strong leadership, provide high quality and affordable pension benefits and services, now and in the future

The chart below describes the roles of the PSSPTI, the Board and Pension Services Corp.:

PSSPTI*

- owns the **fiduciary responsibility** for the PSSP
- provides you with a high quality pension by ensuring **sound administrative** and **investment decisions** are made

* Includes representatives from the NSGEU, CUPE Local 1867, non-union employees, retirees and the NS Government

THE BOARD OF PENSION SERVICES CORP.*

- administers Pension Services Corp.
- sets strategic direction, approves operational budget and key decisions
- includes representatives from PSSPTI and TPPTI

* Includes at least one representative from the NSGEU and from the Nova Scotia Teachers' Union

PENSION SERVICES CORP.

- manages day-to-day operation of Plan investments
- provides member and employer pension services
- is a non-profit corporation that is jointly owned by PSSPTI and TPPTI
- was formerly known as the Nova Scotia Pension Agency

ns pension Services Corporation

PUBLIC SERVICE SUPERANNUATION PLAN TRUSTEE INC.

BOARD OF DIRECTORS *(at April 1, 2013)*

The Public Service Superannuation Plan Trustee Inc. is comprised of 12 directors representing employees and employers, plus an independent Chair who is jointly recommended by the directors. PSSPTI directors are appointed for limited terms and can serve up to a maximum of 10 consecutive years.

CHAIR

Ronald E. Smith,
FCA, ICD.D,
Committee:
- The Chair is an Ex-Officio member on all PSSPTI committees

NSGEU REPS.

Keiren Tompkins
Executive Director
Committee:
- Governance

Ian Johnson
Servicing Coordinator/Policy Analyst
Committee:
- Investment

Paul Hagen
Coord., SAP Business Support Centre, Dept. of Education
Committee:
- Audit and Actuarial, Chair

NSGREA REP.

Dave Peters
NS Government Retired Employees Association
Committee:
- Investment

CUPE REP.

Michael MacIsaac
NS Highway Workers/CUPE Local 1867
Committee:
- Audit and Actuarial

NON-BARGAINING UNIT REP.

Nancy MacLellan
Executive Director, Service Delivery, Service NS and Municipal Relations
Committee:
- Governance, Chair

EMPLOYER/GOVERNMENT REPS.

Byron Rafuse
Associate Deputy Minister & Controller, Dept. of Finance
Committee:
- Audit and Actuarial

Doug Moodie
Senior Solicitor, Dept. of Justice
Committee:
- Investment

Cathy Rankin
Benefits Manager
Public Service Commission
Committee:
- Governance

EMPLOYER/GOVERNMENT REPS.

Leo McKenna
Chief Financial Officer
Workers' Compensation Board
Committee:
- Investment, Chair

Christopher Daly
Associate Deputy Min. of Economic & Rural Development and Tourism
Committee:
- Audit and Actuarial

Cynthia Yazbek
Director Employee Relations
Public Service Commission
Committee:
- Governance

PSSPTI directors oversee all aspects of the Plan through three committees:

AUDIT AND ACTUARIAL COMMITTEE:

Reviews and recommends approval of the Plan's financial statements, audits, actuarial assumptions, and actuarial valuations.

INVESTMENT COMMITTEE:

Reviews, monitors and approves all investment management policies.

GOVERNANCE COMMITTEE:

Ensures the Trustee's duties and responsibilities are clear and sets the goals for Plan administration.

PENSION SERVICES CORP. CLIENT SERVICES

Pension Services Corp.'s client service teams are responsible for providing pension services to Plan members and employers.

SERVICES INCLUDE:

- calculating pension estimates
- EXPLAINING RETIREMENT OPTIONS
- updating contact information
- MANAGING TRANSFER AGREEMENTS
- Annual Member Statements
- **assistance completing forms**
- any questions regarding your retirement

ONLINE PENSION BENEFIT CALCULATORS

Online pension calculators are available at:
novascotiapension.ca/publicserviceplan/calculators

TECHNOLOGY PROJECT UPDATE

Our Technology Project is underway and is progressing well. As of this report, we are tracking on budget and meeting targets. As we progress, Plan members will receive enhanced annual statements that, once mailed, will then also be provided online for future reference or duplication.

Members will be able to view basic pension information online in a very secure environment. Participating employers will also benefit from improved online services and access to information.

PRE-RETIREMENT SEMINARS

Each year, pre-retirement seminars are hosted by the Public Service Commission, as well as requested by departments, agencies, boards and commissions across Nova Scotia.

Seminars are an excellent opportunity to learn about all aspects of retirement, including not just pensions but also health benefits, tax planning, and service awards. For more information about these sessions, please contact your Human Resource Consultant or log on to LearnNet at:
learnnet.learnflex.net/include/login.asp?url=/users/index.asp
From the LearnNet course list select: #4 Public Service Commission, --> #14 Personal Development, --> #1 Retirement Planning

In 2012:13 Client Services had:

"Providing high quality service to our Plan members and employers is our top priority. We are working to improve our technology to enhance our services and to provide Plan members and employers instant access to their pension information."
- KIM BLINN,
Chief Pensions Officer

CONTACT

1-800-774-5070 (toll free in NS)
902-424-5070 (local or outside NS)
902-424-0662 (Fax)

Purdy's Landing, Suite 400,
1949 Upper Water Street, Halifax, NS
B3J 3N3

pensionsinfo@gov.ns.ca

8:00 AM to 5:00 PM, Monday to Friday

novascotiapension.ca/publicserviceplan

PLAN VALUATION

is an independent actuary's annual assessment of a pension plan's long-term financial situation. Using assumptions, it determines whether the pension plan has sufficient assets to cover the cost of future pension benefits for all current members.

FUNDED RATIO

At December 31, 2012, the funded ratio of the Plan was 96.1%.

The funded ratio is equal to the Plan's assets divided by the Plan's liabilities, expressed as a percentage. A funded ratio of 100% or more means that the Plan is fully funded (i.e. there are sufficient assets to cover liabilities, based on current market values and actuarial assumptions). In instances when the Plan's liabilities are greater than its assets, the Plan then has an unfunded liability or is 'under' funded.

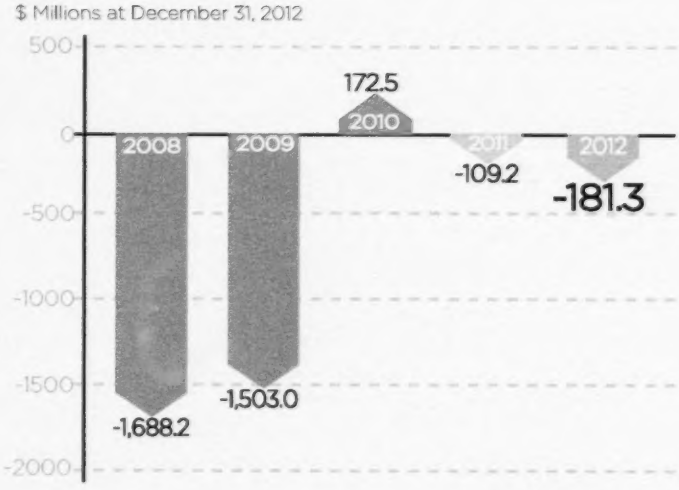
Since 2010, the Plan reports its assets on a smoothed basis. On a market value basis, the Plan had a funded ratio of 97.8 per cent as of December 31, 2012.

UNFUNDED LIABILITY

At December 31, 2012, the Plan had an unfunded liability of $181.3 million. The Plan's unfunded liability increased by $72 million over the previous year.

While the Plan's return on investments in 2012 was higher than the actuarial assumed rate of return, the Plan showed a loss on investments, relative to assumptions, of $129 million. This was a function of the five year smoothing of investment returns. In summary, investment losses from previous years exceed the application of 2012 gains applied. In addition, Plan liabilities have increased by $50 million due to a reduction in the discount rate (the long-term investment return assumption). Please refer to the Actuarial Valuation Report for additional information, which you can view at **novascotiapension.ca**

On a market value basis, the Plan had an unfunded liability of $101.4 million.



December 31, 2011 vs. December 31, 2012

The Plan's unfunded liability is calculated by deducting the Plan's Net Assets from the Plan's Liabilities:

All Figures are rounded to the nearest $100,000.

INVESTMENT MANAGEMENT *DISCUSSION & ANALYSIS*

This section explains how the Plan's Funds are invested, how it performed in 2012-13 and the factors that influenced investment performance.

OVERVIEW

The primary goal of the Public Service Superannuation Fund (the "Fund") is to invest pension assets in a manner that maximizes investment returns, within an acceptable level of risk, which allows the Fund to meet the long-term funding requirements of the Plan.

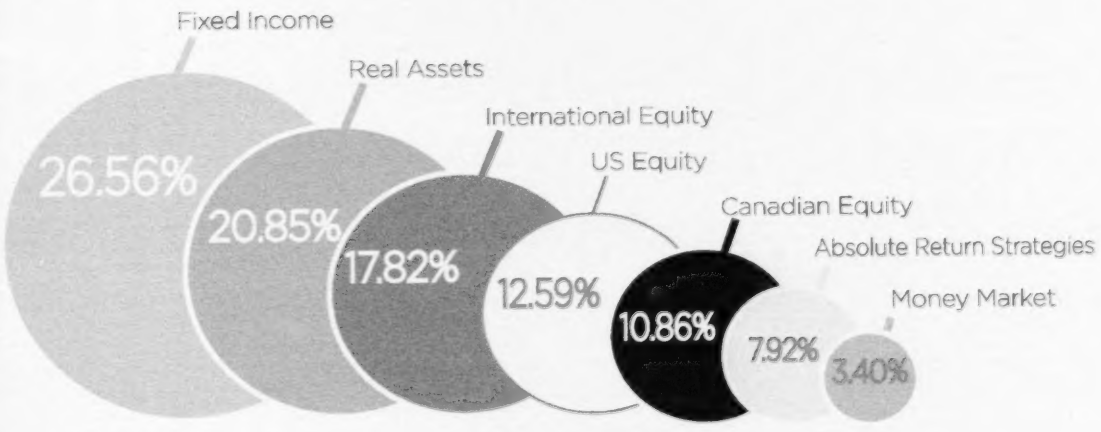
The investment of the pension assets is guided by the Fund's Statement of Investment Policies & Goals (the "SIP&G") as written by the Public Service Superannuation Plan Trustee Inc. (the "Trustee"). The SIP&G sets out the parameters within which the investments may be made. These parameters include permissible investments and the policy asset mix of the four main asset classes: equities, fixed income, real assets, and absolute return strategies. The Investment Beliefs, also found within the SIP&G, state the general principles upon which the investments are made.

ASSET MIX

In the spring of 2010, an asset allocation study was undertaken by the Trustee. The goal of the study was to review the risk/return profile of the Fund and to revise the long-term policy asset mix. The study focused on the Fund's significant allocation to equities and the volatility and risk resulting from this allocation. With the conclusion of the study, the Trustee approved a new policy asset mix and the past two years have been focused on transitioning to the new target weights of the asset mix.

During 2012-13, with a large portion of the transition completed, the process of reducing developed market equities and cash for reallocation to real assets and emerging markets continued. In 2013-14, this process will continue as additional commitments will be funded in real estate and infrastructure by further reducing the allocation to equities.

The Fund's asset mix as at March 31, 2013:



INVESTMENT MANAGEMENT *DISCUSSION & ANALYSIS*

2012-13 INVESTMENT PERFORMANCE

In 2012-13, the Fund achieved a one year return of 10.41 per cent, gross of investment management fees. In a year that economists termed as "lacklustre", the Fund performed well, outperforming the actuarial assumed rate of return and the policy benchmark.

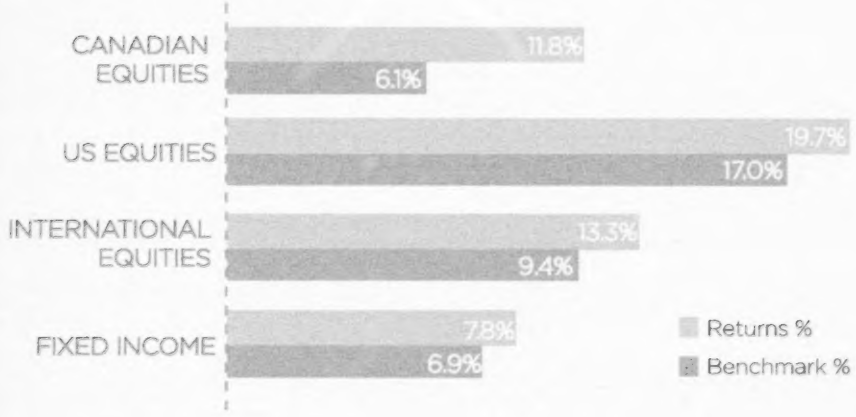
The strong performance of global equities, especially in the first quarter of 2013 was a significant contributor to the Fund's performance. Despite the continuation of the European debt crisis, concerns over global growth and risk of a hard landing in China, global equities generated impressive returns. Equity markets were led by European, Asian and US markets as central banks continued to provide support to banks and ensured sufficient liquidity remained within the system.

Fixed income assets also produced robust returns in 2012-13, as most sectors experienced strong results. Areas such as high yield and credit experienced double digit returns and/or equity like returns. Spreads tightened and yields compressed to create one of the best years for fixed income in recent history. Even previously beaten down European bonds experienced price gains.

In 2012-13, active management in both equities and fixed income was strong as investment managers were able to provide value over and above strategy benchmarks. This was also true for the Fund as active management in equity and fixed income made a significant contribution to investment returns as investment managers produced strong security selection. The Fund's Canadian real estate portfolio also made a significant contribution to investment returns for the year as it experienced excellent returns. Absolute return strategies and infrastructure met targeted return expectations.

You can view the PSSP's Quarterly Investment Reports online at:
www.novascotiapension.ca/publicserviceplan/investmentreports

The Fund's 2012-13 asset class performance:



INVESTMENT MANAGEMENT *DISCUSSION & ANALYSIS*

ECONOMIC AND KEY EVENTS BRIEFING

Global economic growth continued to slow in 2012, declining from 4.0 per cent in 2011 to 3.2 per cent. Dragging on the global economy was broad central government austerity in the Eurozone and slowing economic output in emerging markets. Despite the slowing economic growth, equity returns were positive on the year and volatility was low. The debt crisis in the Eurozone stabilized in the second half of the year, the US Federal Reserve continued and enhanced its stimulative economic policy, and the US 'fiscal cliff' was averted. Overall, it was a relatively good year for equity market returns, with continued economic concerns, stimulative monetary policy, and slowing economic growth also benefiting fixed income investments.

Growth in the Canadian economy slowed in 2012, with GDP increasing by 1.8 per cent compared with 2.6 per cent in 2011. Despite this, the S&P/TSX Composite Index was up 6.1 per cent for the year-ended March 31, 2013. The International Monetary Fund's most recent projections show Canadian economic growth slowing further in 2013 before rebounding in 2014. Slowing global growth, domestic and international austerity programs, and record levels of household debt represent the main headwinds facing the Canadian economy in the coming year.

The US economy showed a modest increase in growth in 2012, with GDP growing by 2.2 per cent compared with 1.8 per cent in 2011. The S&P 500 Index had solid returns, posting a 14.0 per cent return for the year-ended March 31, 2013. While the US economy showed an increase in growth in 2012 compared with the prior year, the International Monetary Fund expects this to reverse in 2013. The biggest challenges facing the US economy for 2013 are the continued budget situation and related cuts, a stubbornly high unemployment rate, and its continued reliance on monetary policy stimulus to support economic growth and job creation.

In Europe, the sovereign debt crisis and related austerity programs dominated the region for the first half of 2012. Action by the European Central Bank appears to have calmed the situation, resulting in significant declines in borrowing costs for some nations. The focus of policy makers has now shifted from preventing a breakup of the Euro to economic stabilization and growth. On the year, the Eurozone GDP contracted by 0.6 per cent and it is anticipated that the economy will remain in a recession through 2013. The Eurozone continues to face a challenging outlook for 2013 and beyond, as continued austerity programs, record high unemployment and political instability will continue to not only drag on the region but will also have global implications.

HIGHLIGHTS:

- Global economic growth continued to slow in 2012, driven by government austerity and slowing emerging markets.
- Despite the decline in growth, equity markets were positive on the year, with the S&P/TSX Composite Index up 6.1% and the S&P 500 Index up 14.0% for the year ended March 31, 2013.
- The threat of a Euro break up appears to have passed, but the Eurozone continues to face significant headwinds, highlighted by record high unemployment and government austerity programs.
- Continued weakness in the first quarter of 2013 resulted in a reduction in global growth forecasts for each of the next two years.

ECONOMIC AND KEY EVENTS BRIEFING *continued...*

Growth in emerging market economies nearly universally slowed in 2012, on a whole declining from 6.4 per cent in 2011 to 5.1 per cent in 2012. Of particular global importance, China's GDP grew by 7.8 per cent compared with 9.3 per cent in 2011. Slowdown in global and domestic demand has impacted Chinese economic growth as well as equity returns. The International Monetary Fund projects that emerging markets will grow by 5.3 per cent and 5.7 per cent in each of the next two years, respectively.

The global economic picture has deteriorated somewhat over the last quarter, with the International Monetary Fund decreasing its 2013 and 2014 growth forecasts for nearly all economies in its most recent release. It is now anticipated that global economic output will increase by 3.3 per cent in 2013 and 4.0 per cent in 2014. The global economy faces headwinds from a number of sources, including continued global austerity, political challenges around the US debt ceiling, and the risk of a prolonged recession in the Eurozone.

ANNUAL PERFORMANCE

Fiscal year ending March 31, 2013

Investment returns are reported gross of investment management fees.

ANNUALIZED PERFORMANCE

Fiscal year ending March 31, 2013

INVESTMENT MANAGEMENT *DISCUSSION & ANALYSIS*

2012-13 INVESTMENT ACCOMPLISHMENTS

The Fund continued to transition towards the target policy asset mix throughout the year. The first quarter of the fiscal year saw the funding of the commodity portfolio completed and the addition of two new equity relationships.

Throughout the year, the Fund's real estate portfolios continued to evolve as the real estate allocation was augmented. Several new properties were purchased in the Fund's direct real estate portfolios while commitments were made to US opportunistic real estate.

The Fund's infrastructure portfolio also continued to develop as the exposure to infrastructure increased throughout the year with the funding of commitments and the participation in co-ownership opportunities. A leading firm specializing in global infrastructure was also retained for the sourcing of infrastructure investment opportunities. The goal of this mandate is to improve the Fund's access to co-investments and provide additional opportunity for diversification of the Fund's exposure on a regional and sector basis, as well as to diversify fund and manager exposures.

2012-13 was also focused on identifying new systems that will enhance and accelerate access to information and research to support investment decisions, investment processes and risk management.

LOOKING FORWARD TO 2013-14

Despite improved global markets, there remain significant macro-economic and structural issues that need to be resolved.

The European debt crisis, weak levels of global economic growth, high levels of government debt and the removal of liquidity programs put in place by central banks over the past several years are just some of the major issues that may impact investment performance and investment risk throughout 2013-14.

These issues will continue to be monitored and managed in relation to their impact on Fund investment returns and risk. Aligned with these efforts, the Trustee will continue to work to improve diversification and manage risk within the Fund.

All information presented in this document are premised on the rules and criteria which currently exist under the Nova Scotia Public Service Superannuation Plan. This document explains in plain language the financial status of the Nova Scotia Public Service Superannuation Plan. Plan members, beneficiaries and others who wish to determine their legal rights and obligations under this Plan should refer to the governing legislation, regulations or other legal documents as appropriate. In the event of a discrepancy between the information provided in this document and the legislation and/or legal documents, the latter takes precedence.

Financial Statements of

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Year ended March 31, 2013

KPMG LLP
Chartered Accountants
Purdy's Wharf Tower One
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Halifax Nova Scotia B3J 3N2
Canada

Telephone (902) 492-6000
Fax (902) 429-1307
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance, Province of Nova Scotia and the Board of Directors of Public Service Superannuation Plan Trustee Inc

We have audited the accompanying financial statements of the Nova Scotia Public Service Superannuation Plan ("the Plan"), which comprise the statement of financial position as at March 31, 2013, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Nova Scotia Public Service Superannuation Plan as at March 31, 2013, and changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants
June 27, 2013
Halifax, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Financial Statements

Year ended March 31, 2013

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NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

March 31, 2013, with comparative figures for 2012

	2013	2012
Net Assets Available for Benefits		
Assets		
Cash	$ 35,308	$ 28,266
Contributions receivable:		
Employers'	5,274	5,334
Employees'	4,673	4,809
Receivable from pending trades	5,922	10,027
Prepaid technology project capital expenses	-	25
Deposit on pending investment purchases (note 3(e))	-	64,964
Accrued investment income	18,461	17,507
Receivable from loan to plan administrator	149	-
Investments (notes 4 and 5)	4,666,397	4,293,168
Total assets	4,736,184	4,424,100
Liabilities:		
Pension benefits payable	$ 195	$ 538
Payable from pending trades	16,674	44,448
Accounts payable	10,179	9,795
Total liabilities	27,048	54,781
Net assets available for benefits	4,709,136	4,369,319
Present value of expected instalment payments (note 6)	470	686
Fair value of net assets available for benefits	$ 4,709,606	$ 4,370,005
Accrued Pension Obligation and Surplus (Deficit)		
Accrued pension obligation (note 7)	4,686,652	4,541,817
Surplus (deficit):		
Funding surplus (deficit) (note 7)	(154,559)	(135,890)
Actuarial value adjustment of net assets (notes 2 and 7)	177,513	(35,922)
	22,954	(171,812)
Commitments (note 8)		
Subsequent event (note 15)		
Accrued pension obligation and surplus (deficit)	$ 4,709,606	$ 4,370,005

See accompanying notes to financial statements.

Approved:

Original signed by Ronald E. Smith

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

March 31, 2013, with comparative figures for 2012

	2013	2012
Net Assets Available for Benefits		
Assets		
Cash	$ 35,308	$ 28,266
Contributions receivable:		
Employers'	5,274	5,334
Employees'	4,673	4,809
Receivable from pending trades	5,922	10,027
Prepaid technology project capital expenses	-	25
Deposit on pending investment purchases (note 3(e))	-	64,964
Accrued investment income	18,461	17,507
Receivable from loan to plan administrator	149	-
Investments (notes 4 and 5)	4,666,397	4,293,168
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See accompanying notes to financial statements.

Approved:

Original signed by Ronald E. Smith

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Increase in Assets		
Contributions (note 9)	$ 173,456	$ 171,095
Transfers from other pension plans	7,952	9,595
Investment activities	118,380	125,710
Change in market value of investments (note 4)	344,689	37,258
Total increase in assets	644,477	343,658
Decrease in Assets		
Benefits paid (note 10)	266,931	251,946
Transfers to other pension plans	2,515	1,895
Administrative expenses (note 11)	35,214	21,538
Total decrease in assets	304,660	275,379
Net increase in net assets	339,817	68,279
Net assets available for benefits, beginning of year	4,369,319	4,301,040
Net assets available for benefits, end of year	$ 4,709,136	$ 4,369,319

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Accrued pension obligation, beginning of year	$ 4,541,817	$ 4,240,670
Increase in accrued pension benefits:		
Interest on accrued pension obligation	299,760	288,366
Contributions and transfers from other pension plans	181,408	180,690
Changes in actuarial assumptions	21,095	96,818
	502,263	565,874
Decrease in accrued pension benefits:		
Benefits paid (note 10)	(266,931)	(251,946)
Net experience gains and losses	(50,861)	32,471
Transfers to other pension plans	(2,515)	(1,895)
Contributions in excess of current service cost	(37,121)	(43,357)
	(357,428)	(264,727)
Net increase in accrued pension benefits	144,835	301,147
Accrued pension obligation, end of year (note 7)	$ 4,686,652	$ 4,541,817

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2013

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1. Authority and description of Plan:

The Public Service Superannuation Fund (the "Fund") was established by the Public Service Superannuation Act (the "Act"). It is the funding vehicle for the Public Service Superannuation Plan (the "Plan"), a pension plan that covers employees of the Province of Nova Scotia (the "Province") and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas, are also contained in the Act and in the Regulations made under the Act. The Minister of Finance is the Trustee of the Plan and the Fund.

The following description is a summary only. For more complete information, reference should be made to the Act and Regulations.

General:

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund.

Eligibility:

All employees of the Province (and participating employers) as defined in accordance with the Plan provisions must join the Plan on the date of their employment.

Funding:

The Plan is funded by investment earnings and employee and matching employer contributions of 8.4% of salary up to the Year's Maximum Pensionable Earnings (the "YMPE") and 10.9% of salary above the YMPE. The YMPE is a figure set annually by the Canada Pension Plan (the "CPP").

Retirement benefits:

The basic pension formula is 2% multiplied by the number of years of pensionable service multiplied by the highest average pensionable salary of the best five years. Vesting occurs after two years. Pensions are integrated with CPP benefits at age 65.

Plan members are eligible for a pension upon reaching any of the following criteria:

1. Authority and description of Plan (continued):

- age 50 with an age plus service factor of 80 – "Rule of 80" (age 55 with an age plus service factor of 85 for members first hired by a participating employer on or after April 6, 2010);
- age 55 with two years of service (reduced pension);
- age 60 with two years of service;
- age 65 (if an employee at age 65).

Death benefits:

Upon the death of a vested member, the surviving spouse is entitled to receive 66.67% of the member's pension benefit payable for life (60% for the surviving spouse of a member first hired by a participating employer on or after April 6, 2010). Eligible children are entitled to receive 10% of the member's pension benefit, payable until age 18 (or 25 while still in school).

Termination benefits:

Upon termination of employment, a vested member may choose to defer their pension until they satisfy one of the above eligibility criteria, or they may remove their funds from the plan in the form of a commuted value.

Refunds:

The benefit payable upon termination or death of a non-vested member, or upon death prior to retirement of a vested member with no eligible survivors, is a lump sum refund of the member's contributions with interest.

Indexing:

From January 1, 2011 to January 1, 2015, indexing of pensions in pay will be at a rate of 1.25% annually. Starting January 1, 2016, the annual rate of indexing will be set by the Trustee for five-year periods, based on the funding level of the Plan and the advice of the Plan's actuary.

2. Basis of preparation:

(a) Basis of presentation:

The Plan adopted Canadian accounting standards for pension plans in Part IV of the Canadian Institute of Chartered Accountants (CICA) Handbook, Section 4600 Pension Plans ("Section 4600"), on March 1, 2011 with a transition date of March 1, 2010. Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the Plan must consistently comply with either International Financial Reporting Standards ("IFRS") in Part I of the CICA Handbook or accounting standards for private enterprises in Part II of the CICA Handbook. The Plan has elected to comply on a consistent basis with IFRS in Part I of the CICA Handbook. To the extent that IFRS in Part I is inconsistent with Section 4600, Section 4600 takes precedence.

Consistent with Section 4600, investment assets are presented on a non-consolidated basis even when the investment is in an entity over which the Plan has effective control. Earnings of such entities are recognized as income as earned and as dividends are declared. The Plan's total investment income includes valuation adjustments required to bring the investments to their fair value.

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate reporting entity.

(b) Early adoptions of IFRS 13:

The Plan has elected to early adopt IFRS 13, Fair Value Measurement, on a prospective basis, commencing April 1, 2010. The mandatory application date of IFRS 13 is for fiscal years beginning January 1, 2013. The AcSB have allowed early adoption for fiscal years beginning on or after January 1, 2011, which is also the effective date for Section 4600. The measurement requirements under IFRS 13 were applied consistently to the fair value of all investment assets and investment related liabilities in the periods presented in the financial statements. The definition of fair value has been amended to comply with IFRS 13. There is no impact on the values of either investment assets or investment related liabilities. As per Section 4600, the Plan is not required to comply with the disclosure requirements prescribed in IFRS 13.

These financial statements were authorized for issue by the Board of Trustees of the Public Service Superannuation Plan Trustee Inc. on June 27, 2013.

2. Basis of preparation (continued):

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits and derivative financial instruments which are measured at fair value. Units of holding companies held are measured at the fair value of the underlying assets.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

(e) Use of estimates and judgments:

The preparation of the financial statements in conformity with Section 4600 and IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position, the reported amounts of changes in net assets available for benefits and accrued pension benefits during the year. Actual results may differ from those estimates. Significant estimates included in the financial statements relate to the valuation of real estate, infrastructure and private equity investments and the determination of the accrued pension obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Significant accounting policies:

(a) Investment transactions, income recognition and transactions costs:

(i) Investment transactions:

Investment transactions are accounted for on a trade date basis.

(ii) Income recognition:

Income from investments is recorded on an accrual basis and includes interest, dividends and operating income/loss from real estate, as well as gains and losses that have been realized on disposal of investments and the unrealized appreciation and depreciation in the fair value of investments.

(iii) Transaction costs:

Brokers' commissions and other transaction costs are recorded in the statement of changes in net assets available for benefits when incurred.

(b) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in net unrealized gains (loss).

3. Significant accounting policies (continued):

(c) Financial assets and liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument.

The Plan classifies all of its financial assets at fair value through the statement of changes in net assets available for benefits if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value though the statement of changes in net assets available for benefits if the Plan manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Plan's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Financial assets are measured at fair value and changes therein are recognized in the statement of changes in net assets available for benefits.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Plan considers its amounts payable to be a non-derivative financial liability.

3. Significant accounting policies (continued):

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

(d) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan has early adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part 1 of the CICA Handbook. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

3. Significant accounting policies (continued):

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When a transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in market value of investments.

Fair values of investments are determined as follows:

(i) Fixed income securities, real return bonds and equities are valued at year-end quoted closing prices, where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

(ii) Short-term notes, treasury bills, repurchase agreements and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

(iii) Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

(iv) The Fund holds bank sponsored asset backed commercial paper in its cash portfolios; however, exposure is limited to multi seller, multi asset conduits with global style credit facilities, thus mitigating both credit and liquidity risk. There has been no impact on the value of these assets at March 31, 2013.

3. Significant accounting policies (continued):

(v) Real estate holding companies, private equities, and infrastructure are valued based on estimated fair values determined by using appropriate techniques and best estimates by either management, appraisers, or both. Where external appraisers are engaged to perform the valuation, management ensures the appraisers are independent and compares the assumptions used by the appraisers with management's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment.

Certain comparative terms have been changed to conform with the terms used in the Fund's SIP&G for consistency purposes. References to "inflation linked" are now referred to as "real assets" in these statements. This change has been made to all comparative information on a prospective basis.

(vi) Investments in derivative contracts, including futures, forwards and option contracts, are valued at year end quoted market prices, interest, spot and forward rates, where available. Where quoted prices are not available, appropriate alternative valuation techniques are used to determine fair value. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

(vii) Absolute return strategy investments, comprised of hedge funds, are recorded at fair value based on net asset values obtained from each of the funds' administrators. These net asset values are reviewed by management.

Certain comparative terms have been changed to conform with the terms used in the Fund's SIP&G for consistency purposes. References to "alternatives" are now referred to "absolute return strategies" in these statements. This change has been made to all comparative information on a prospective basis.

(viii) Commodities, comprised of pooled funds, are recorded at fair value based on the net asset values obtained from each of the funds' administrators. These net asset values are reviewed by management.

3. Significant accounting policies (continued):

(e) Non-investment assets and liabilities:

The fair value of non-investment assets and liabilities are equal to their amortized cost value and are adjusted for foreign exchange where applicable.

On March 31, 2012, Nova Scotia Public Service Superannuation Fund subscribed to absolute return strategy investments limited partnership for settlement on April 1, 2012. Subscription monies were due in advance of the value date. This amount is represented as a deposit on pending investment purchases on the Statement of Financial Position as at March 31, 2012. This amount is now part of the value of investments for year ended March 31, 2013.

(f) Receivable/payable from pending trades:

For securities transactions, the fair value of the receivable from pending trades and the payable from pending trades approximate their carrying amounts due to their short-term nature.

(g) Accrued pension benefit obligation:

The value of the accrued pension benefit obligation of the Plan is based on a going concern method actuarial valuation prepared by an independent firm of actuaries using the projected unit credit method. The accrued pension benefit obligation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the Plan for the purpose of establishing the long term funding requirements of the Plan. The actuarial valuation included in the consolidated financial statements is consistent with the valuation for funding purposes.

(h) Contributions:

Basic contributions from employers and members due to the Fund as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded and service is credited when the purchase amount is received.

3. Significant accounting policies (continued):

(i) Benefits:

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of the accrued pension benefit obligation.

(j) Administrative expenses:

Administrative expenses, incurred for plan administration and direct investment management services, are recorded on an accrual basis. Plan administration expenses represent expenses incurred to provide direct services to the plan members and employers. Investment management expenses represent expenses incurred to manage the Fund. Base external manager fees for portfolio management are expensed in investment management expenses as incurred.

(k) Actuarial value of net assets and actuarial value adjustment:

The actuarial value of net assets of the Plan is used in assessing the funding position of the Plan, including the determination of contribution rates. The actuarial value of net assets is determined by smoothing investment returns above or below the actuarial long-term rate of return assumption over a five-year period. The fair value of net assets is adjusted by the unrecognized actuarial value adjustment to arrive at the actuarial value of net assets.

(l) Income taxes:

The Fund is the funding vehicle for a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly is not subject to income taxes.

3. Significant accounting policies (continued):

(m) New standards and interpretations not yet adopted:
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2013, and have not been applied in preparing these financial statements. Standards which may potentially have an effect on the financial statements of the Plan are as follows:

- The IASB has issued an amendment to *IFRS 7, Financial Instruments* - Disclosures, requiring incremental disclosures regarding the offsetting of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013. The Plan is currently evaluating the impact of this standard.

- IFRS 9 (2010), *Financial Instruments*, will ultimately replace IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39") and augments the previously issued IFRS 9 (2009). The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. This standard becomes effective for fiscal years beginning on or after January 1, 2013. The Plan is currently evaluating the impact of this standard.

- IFRS 10, *Consolidated Financial Statements*, proposes to replace the consolidated financial statements section of IAS 27, *Consolidated and Separate Financial Statements* and SIC 12, *Consolidation - Special Purpose Entities* in their entirety.
IFRS 10 establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, regardless of the nature of the relationship. The new standard introduces a revised definition of control, and provides additional guidance on how to apply the control principle in a number of situations. This new standard is effective for fiscal years beginning on or after January 1, 2013. The Plan is currently evaluating the impact of this standard.

3. Significant accounting policies (continued):

- IFRS 12, *Disclosure of Interests in Other Entities*, outlines the disclosures required surrounding an entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities, to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. This new standard is effective for fiscal years beginning on or after January 1, 2013. The Plan is currently evaluating the impact of this standard.

- IFRS 13, *Fair Value Measurement* ("IFRS 13"), is a single source of fair value measurement guidance under IFRS. This new IFRS clarifies the definition of fair value, provides a clear framework for measuring fair value, and enhances the disclosures about fair value measurements. IFRS 13 is not only limited to financial instruments, but also to fair value measurement in other IFRS's, such as impairment and employee future benefits. The new standard is effective for fiscal years beginning on or after January 1, 2013. The Plan is currently evaluating the impact of this standard.

4. Investments and derivatives:

(a) The fair value of the Fund's investments and related income is summarized in the following table:

	As at March 31, 2013		As at March 31, 2012	
	Assets	%	Assets	%
Fixed income				
Canadian money market	$ 146,458	3.1	$ 218,192	5.1
Promissory note	6,392	0.1	6,098	0.1
Asset backed commercial paper	17,759	0.4	15,969	0.4
US money market	822	-	6,362	0.1
US repurchase agreements	8,229	0.2	52,671	1.2
Canadian bonds	595,255	12.8	588,033	13.7
US bonds	487,790	10.5	361,457	8.4
Global bonds	141,780	3.0	189,060	4.4
Canadian real return bonds	285,529	6.1	271,489	6.3
Equities				
Canadian	489,083	10.5	733,202	17.1
US	588,568	12.6	564,994	13.2
Global	825,215	17.7	491,857	11.5
Real Assets				
Canadian real estate	384,290	8.2	300,837	7.0
Non-Canadian real estate	28,099	0.6	30,264	0.7
Canadian infrastructure	53,687	1.2	28,119	0.7
Non-Canadian infrastructure	96,188	2.1	35,339	0.8
Commodities	124,176	2.7	62,594	1.5
Absolute Return Strategies				
Hedge funds	370,726	7.9	335,031	7.8
Derivatives				
Swaps, futures, options	628	-	(203)	-
Currency forwards	15,723	0.3	1,803	-
	$ 4,666,397	100.0	$ 4,293,168	100.0

4. Investments and derivatives (continued):

As at March 31, 2013	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	$ 57,831	$ 18,211	$ 22,804	$ 41,015
Equities	44,869	(2,774)	210,018	207,244
Real Assets	11,511	(3,601)	53,491	49,890
Absolute Return Strategies	-	3,414	45,399	48,813
Derivatives	1,561	(13,299)	13,317	18
Other	2,608	4	(2,295)	(2,291)
Total	$ 118,380	$ 1,955	$ 342,734	$ 344,689

As at March 31, 2012	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	$ 57,929	$ 30,794	$ 57,000	$ 87,794
Equities	58,779	48,914	(110,254)	(61,340)
Real Assets	3,081	923	30,021	30,944
Absolute Return Strategies	-	-	5,616	5,616
Derivatives	5,247	(24,651)	(189)	(24,840)
Other	674	23	(939)	(916)
Total	$ 125,710	$ 56,003	$ (18,745)	$ 37,258

b) Derivatives:

Derivatives are financial contracts, the value of which is "derived" from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategies. The Fund utilizes such contracts to enhance investment returns and for managing exposure to interest rate and foreign currency volatility.

4. Investments and derivatives (continued):

Notional amounts of derivative contracts are the contract amounts used to calculate the cash flows to be exchanged. They represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. They do not necessarily indicate the amounts of future cash flows involved or the current fair value of the derivative contracts. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure. The derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in either market rates or prices relative to their terms. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

Derivative contracts, transacted either on a regulated exchange market or in the over-the-counter ("OTC") market, directly between two counterparties include the following:

Interest rate swaps

Interest rate swaps involve contractual agreements between two counterparties to exchange fixed and floating interest payments based on notional amounts. They are used to adjust interest rate yield curve exposures and substitute for physical securities. Long swap positions increase exposure to long term interest rates and short positions decrease exposure. Long swap positions are backed with high grade, liquid debt securities.

4. Investments and derivatives (continued):

Credit default swaps

Credit default swaps ("CDS") provide protection against the decline in value of the referenced asset as a result of specified events such as payment default or insolvency. The purchaser pays a premium to the seller of the CDS in return for payment related to the deterioration in the value of the referenced asset. The referenced asset for CDS is a debt instrument. They are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure (selling protection), obligating the Fund to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure (buying protection), providing the right to "put" bonds to the counterparty in the event of a default. Net long exposures are backed with high grade, liquid debt securities. Underlying credit exposures are continuously monitored.

Futures

Government futures are contractual obligations to either buy or sell at a fixed value (the contracted price) government fixed income financial instruments at a predetermined future date. They are used to adjust interest rate exposure and replicate government bond positions. Long future positions are backed with high grade, liquid debt securities.

Money market futures are contractual obligations to either buy or sell money market financial instruments at a predetermined future date at a specified price. They are used to manage exposures at the front end of the yield curve. Futures are based on short term interest rates and do not require delivery of an asset at expiration. Therefore they do not require cash backing.

4. Investments and derivatives (continued):

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. Purchased options are used to manage interest rate volatility exposures. Written options generate income in expected interest rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option. In the money portion of written options are covered by high grade, liquid debt securities.

Currency forwards

Currency forwards are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date. Forward contracts are used to manage the currency exposure of investments held in foreign currencies. The notional amount of a currency forward represents the contracted amount purchased or sold for settlement at a future date. The fair value is determined by the difference between the market value and the notional value upon settlement.

4. Investments and derivatives (continued):

The fair value of derivatives, based upon their contractual maturity, as at March 31, 2013 and 2012 are as follows:

	Under 1 year	1 to 5 years	Over 5 years	Total at March 31, 2013	Total at March 31, 2012
Interest rate swaps	-	(21)	449	428	648
Credit default swaps	83	721	(517)	287	(325)
Futures	80	-	-	80	(80)
Options	(167)	-	-	(167)	(446)
	(4)	700	(68)	628	(203)
Currency forwards	15,723	-	-	15,723	1,803
	$ 15,719	$ 700	$ (68)	$ 16,351	$ 1,600

Cash is deposited or pledged with various financial institutions as collateral or margin in the event that the Fund was to default on payment obligations on its derivative contracts. On the statement of financial position collateral is represented as part of the net cash balance of the Plan.

The fair value of cash held at other financial institutions as collateral or margin as at March 31, 2013 and 2012 is as follows:

	2013	2012
Collateral and margin	$ 64	$ 1,225

5. Financial instruments:

(a) Fair value:

The fair values of investments and derivatives are as described in note 3(d). The fair values of other financial assets and liabilities, being cash, contributions receivable, receivable from pending trades, accrued investment income, pension benefits payable, payable from pending trades and administrative expenses payable approximate their carrying values due to the short term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

Level 1: Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date. Level 1 primarily includes publicly listed investments.

Level 2: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market.

Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes real estate, infrastructure, and private equity investments valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

5. Financial instruments (continued):

The following table illustrates the classification of the Fund's financial instruments using the fair value hierarchy as at March 31:

As at March 31, 2013	Level 1	Level 2	Level 3	Total
Fixed income				
Canadian money market	$ 21,649	$ 124,809	$ -	$ 146,458
Canadian promissory note	-	6,392	-	6,392
Asset backed commercial paper	-	-	17,759	17,759
US money market	822	-	-	822
US repurchase agreements	-	8,229	-	8,229
Canadian bonds	324,743	270,512	-	595,255
US bonds	49,424	438,366	-	487,790
Global bonds	7,478	134,302	-	141,780
Canadian real return bonds	-	203,991	81,538	285,529
Equities				
Canadian	342,330	146,753	-	489,083
US	547,881	-	40,687	588,568
Global	535,363	289,852	-	825,215
Real Assets				
Canadian real estate	-	155,583	228,707	384,290
Non-Canadian real estate	-	-	28,099	28,099
Canadian infrastructure	-	-	53,687	53,687
Non-Canadian infrastructure	-	-	96,188	96,188
Commodities	-	124,176	-	124,176
Absolute Return Strategies				
Hedge funds	-	370,726	-	370,726
Derivatives				
Swaps, futures, options	-	628	-	628
Currency forwards	-	15,723	-	15,723
	$ 1,829,690	$ 2,290,042	$ 546,665	$ 4,666,397

5. Financial instruments (continued):

As at March 31, 2012	Level 1	Level 2	Level 3	Total
Fixed income				
Canadian money market	$ 16,500	$ 201,692	$ -	$ 218,192
Canadian promissory note	-	6,098	-	6,098
Asset backed commercial paper	-	-	15,969	15,969
US money market	6,362	-	-	6,362
US repurchase agreements	-	52,671	-	52,671
Canadian bonds	329,661	258,372	-	588,033
US bonds	40,393	321,064	-	361,457
Global bonds	11,476	177,584	-	189,060
Canadian real return bonds	-	190,323	81,166	271,489
Equities				
Canadian	542,916	190,286	-	733,202
US	522,015	-	42,979	564,994
Global	268,842	223,015	-	491,857
Real Assets				
Canadian real estate	-	135,437	165,400	300,837
Non-Canadian real estate	-	-	30,264	30,264
Canadian infrastructure	-	-	28,119	28,119
Non-Canadian infrastructure	-	-	35,339	35,339
Commodities	-	62,594	-	62,594
Absolute Return Strategies				
Hedge funds	-	335,031	-	335,031
Derivatives				
Swaps, futures, options	-	(203)	-	(203)
Currency forwards	-	1,803	-	1,803
	$ 1,738,165	$ 2,155,767	$ 399,236	$ 4,293,168

5. Financial instruments (continued):

There were no significant transfers between level 1 and level 2 financial instruments during the year ended March 31, 2013.

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy:

Year ended March 31, 2013	Fixed income	Equity	Real assets	Total
Level 3 investments, April 1, 2012	$ 97,135	$ 42,979	$ 259,122	$ 399,236
Purchases	17,759	-	123,063	140,822
Sales	(16,641)	(2,006)	(3,774)	(22,421)
Income	-	1,102	10,558	11,660
Expenses	-	(108)	(4,158)	(4,266)
Realized gain (loss)	151	(2,904)	-	(2,753)
Unrealized gain (loss)	893	1,624	21,870	24,387
Level 3 investments, end of year	$ 99,297	$ 40,687	$ 406,681	$ 546,665

Year ended March 31, 2012	Fixed income	Equity	Real assets	Total
Level 3 investments, April 1, 2011	$ 93,756	$ 31,858	$ 182,113	$ 307,727
Transfer into level 3	(3,027)	(1,064)	(9,678)	(13,769)
Purchases	15,964	195	62,961	79,120
Sales	(15,603)	-	-	(15,603)
Income	2,797	1,064	10,333	14,194
Expenses	-	(195)	(3,084)	(3,279)
Realized gain	143	-	-	143
Unrealized gain	3,105	11,121	16,477	30,703
Level 3 investments, end of year	$ 97,135	$ 42,979	$ 259,122	$ 399,236

5. Financial instruments (continued):

The total income from level 3 financial instruments for the years ended March 31, 2013 and 2012, respectively, was $29,028 and $41,761.

(b) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate volatility, market price fluctuations, credit risk, foreign currency risk and liquidity risk. The Fund has set formal goals, policies, and operating procedures that establish an asset mix among equity, fixed income, real assets, absolute return strategy investments and derivatives that requires diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. Risk and credit committees have been created to regularly monitor the risks and exposures of the Fund. Trustee oversight, procedures and compliance functions are incorporated into Fund processes to achieve consistent controls and to mitigate operational risk.

(i) Interest rate risk

Interest rate risk refers to the fact that the Fund's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Fund's assets and cash flows related to the Plan's liabilities. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored.

5. Financial instruments (continued):

The following table summarizes the contractual maturities of all financial assets at March 31, by the earlier of contractual repricing or maturity dates:

March 31, 2013	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%) (1)
Money market	$147,280	$ -	$ -	$ -	$ 147,280	-
Repurchase agreements	8,229	-	-	-	8,229	0.2
Bonds	27,184	434,284	433,856	329,501	1,224,825	4.5
Asset backed commercial paper	17,759	-	-	-	17,759	-
Real return bonds (2)	-	-	-	81,538	81,538	5.3
Promissory note	6,392	-	-	-	6,392	5.1
Total	$206,844	$434,284	$433,856	$411,039	$1,486,023	4.0

March 31, 2012	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%) (1)
Money market	$224,554	$ -	$ -	$ -	$ 224,554	-
Repurchase agreements	52,671	-	-	-	52,671	-
Bonds	4,629	404,990	446,262	282,669	1,138,550	4.8
Asset backed commercial paper	15,969	-	-	-	15,969	-
Real return bonds (2)	-	-	-	81,166	81,166	5.3
Promissory note	6,098	-	-	-	6,098	5.1
Total	$303,921	$404,990	$446,262	$363,835	$1,519,008	3.9

5. Financial instruments (continued):

The fixed income maturity schedule is exclusive of Canadian pooled real return bond funds (March 31, 2013 - $203,991; March 31, 2012 - $190,323).

(1) The average effective yield reflects the estimated annual income of a security as a percentage of its year-end fair value.

(2) Real return bond yields are based on real interest rates. The ultimate yield will be impacted by inflation as it occurs.

The fair value of the Fund is affected by short-term changes in nominal interest rates. Pension liabilities are exposed to the long-term expectation of rate of return of the Fund as well as expectations of inflation and salary escalation.

Interest rate sensitivity:

The Fund's investments in fixed income and derivatives are sensitive to interest rate movements. The following table represents the Fund's assets subject to interest rate changes, average duration due to a one percent increase (decrease) in interest rates and the change in fair value of those assets:

5. Financial instruments (continued):

	March 31, 2013	March 31, 2012
Interest rate sensitive assets	$ 1,486,570	$ 1,518,805
Average duration for 1% increase in interest rates	(6.1)	(5.5)
Sensitivity to 1% increase in interest rates	$ (90,127)	$ (83,261)
Fair value after 1% increase in rates	$ 1,396,443	$ 1,435,544
Average duration for 1% decrease in interest rates	6.6	6.1
Sensitivity to 1% decrease in interest rates	$ 98,172	$ 90,847
Fair value after 1% decrease in rates	$ 1,584,742	$ 1,609,652

(ii) Market price risk

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. Market price risk does not include interest rate risk and foreign currency risk which are also discussed in this note. As all of the Fund's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in financial position, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Fund through the construction of a diversified portfolio of instruments traded on various markets and across various industries.

5. Financial instruments (continued):

Market sensitivity:

The Fund's investments in equities are sensitive to market fluctuations. The following table represents the change in fair value of the Fund's investment in public and private equities due to a ten percent increase (decrease) in fair market values as at March 31, 2013:

	March 31, 2013	March 31, 2012
Total equity	$ 1,902,866	$ 1,790,053
10% increase in market values	$ 190,287	$ 179,005
Fair value after 10% increase	$ 2,093,153	$ 1,969,058
10% decrease in market values	$ (190,287)	$ (179,005)
Fair value after 10% decrease	$ 1,712,579	$ 1,611,048

(iii) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for traded financial instrument is not backed by an exchange clearing house. Credit risk associated with the Fund is regularly monitored and analyzed through risk and credit committees.

5. Financial instruments (continued):

Fixed income:

The Fund's Fixed Income Program includes two main sectors: the Government Sector and the Corporate Sector. One benefit to managing these two pieces separately is to provide the opportunity to access physical government bonds when required. When markets are at their utmost distress these may be the only securities available for liquidation. Managing the Corporate Sector and the Government Sector separately allows for the adjustment of credit risk within the Fixed Income Program by changing the allocation between these two sectors-increasing the Government Sector through periods of market duress and increasing the Corporate Sector through periods of stability. This approach also allows the active management of the Corporate Sector and taking active decisions where returns can be maximized. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in 2013.

The Fund is exposed to credit risk from the following interest earning investments:

	March 31, 2013	March 31, 2012
Canadian		
Federal government	$ 346,392	$ 346,161
Provincial governments	276,625	299,827
Municipal governments	16,725	14,783
Corporate	207,660	248,688
US		
Governments	50,245	46,754
Corporate	446,596	373,735
Global		
Governments	7,478	11,476
Corporate	134,302	177,584
	$ 1,486,023	$ 1,519,008

The credit risk schedule is exclusive of Canadian pooled real return bond funds (March 31, 2013 - $203,991; March 31, 2012 - $190,323.

5. Financial instruments (continued):

Derivatives:

The Fund is exposed to credit-related losses in the event counterparties fail to meet their payment obligations upon maturity of derivative contracts. The Fund limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating. In order to mitigate this risk, the Fund:

i) Deals only with highly rated counterparties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with a minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and

ii) Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative contracts is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

Securities lending:

The Fund engages in securities lending to enhance portfolio returns (see note 12). Through a securities lending program at the Fund's custodian, the Fund lends securities for a fee to approved borrowers. Credit risk associated with securities lending is mitigated by requiring the borrowers to provide high quality collateral. In the event that a borrower defaults completely or in part, the custodian will replace the security at its expense. Regular reporting of the securities lending program ensures that its various components are continuously being monitored.

5. Financial instruments (continued):

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund primarily invests in financial instruments and enters into transactions denominated in various foreign currencies, other than its measurement currency. Consequently, the plan is exposed to risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than the Canadian dollar. Foreign currency risk is hedged by using foreign exchange forward contracts. A policy of hedging up to 100% of the currency exposure helps to mitigate this risk.

The Fund's currency policy allows for the management of risk through hedging strategies that are implemented through the purchase of forward currency contracts. The forward currency contracts offset the Fund's foreign currency exposure, hence reducing the Fund's foreign currency risk.

The Fund's unhedged and hedged currency exposure including Fund non-investment assets and liabilities as at March 31, 2013 is summarized in the following table:

	March 31, 2013 Unhedged	March 31, 2013 Hedged
Canada	$ 2,285,069	$ 3,411,123
United States	1,854,468	1,052,667
Euro zone	164,514	69,170
Japan	86,528	43,238
United Kingdom	128,820	50,563
Other	174,292	82,653
	$ 4,693,691	$ 4,709,414

5. Financial instruments (continued):

Currency	March 31, 2012 Unhedged	March 31, 2012 Hedged
Canada	$ 2,158,025	$ 3,665,663
United States	1,703,965	438,999
Euro zone	158,272	79,316
Japan	91,722	43,828
United Kingdom	110,269	73,469
Other	145,428	68,209
	$ 4,367,681	$ 4,369,484

After the effect of hedging, and without change in all other variables, a ten percent increase (decrease) in the Canadian dollar against all other currencies would (decrease) increase the fair value of the Fund, respectively.

5. Financial instruments (continued):

The following table below represents these changes in the Fund including non-investment assets and liabilities as at March 31:

	2013	2012
Investment fund assets	$ 4,709,414	$ 4,369,484
10% increase in Canadian dollar	(118,026)	(63,984)
Investment assets after increase	$ 4,591,388	$ 4,305,500
10% decrease in Canadian dollar	144,255	78,202
Investment assets after decrease	$ 4,853,669	$ 4,447,686

(v) Liquidity risk:

Liquidity risk is the risk that the Fund does not have sufficient cash to meet its current payment liabilities and acquire investments in a timely and cost effective manner. Liquidity risk is inherent in the Fund's operations and can be impacted by a range of situation specific and market wide events including, but not limited to, credit events and significant movements in the market. Cash obligations are fulfilled from contributions to the Fund, cash income of the Fund and planned dispositions of Fund assets as required. Cash requirements of the Fund are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations of the Fund. The Fund's cash management policy ensures that the quality and liquidity of the investment vehicles within the cash portfolios are consistent with the needs of the Fund.

Approximately 60% of the Fund's investments are in liquid securities traded in public markets, consisting of fixed income and equities. Pooled funds consisting of exchange traded equities are approximately 21% of the Fund's investments and are liquid within 30 days or less. Although market events could lead to some investments becoming illiquid, the diversity of the Fund's portfolios should ensure that liquidity is available for benefit payments. The Fund also maintains cash on hand for liquidly purposes and for payment of Plan liabilities. At March 31, 2013, the Fund had cash in the amount of $35,308; March 31, 2012 $28,266).

6. Present value of expected instalment payments:

The present value of expected instalment payments of $470 (March 31, 2012 - $686) represents the present value of outstanding employee and employer contributions as at March 31, 2013 that are due as a result of service buy-backs that are being paid for through payroll deductions. The liabilities associated with this service are already recognized in the accrued pension benefit obligation.

7. Accrued pension obligation:

The actuarial present value of the accrued pension obligation is an estimate of the value of pension obligations of the Plan in respect of benefits accrued to date for all active and inactive members including pensioners and survivors. As the experience of the Plan unfolds, and as underlying conditions change over time, the actual value of accrued benefits payable in the future could be materially different than the actuarial present value.

Actuarial valuations of the Plan are conducted annually, and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer, performed a valuation as at December 31, 2012 and issued their report in June 2013. The report indicated that the Plan had an unfunded liability of $181,322 (December 31, 2011 – unfunded liability of $109,249).

The actuarial valuation calculates liabilities for each member on the basis of service earned to date and the employee's projected five-year average salary at the expected date of retirement or on the pension in pay, for retired members and survivors. The projected unit credit method was adopted for the actuarial valuation to determine the current service cost and actuarial liability. Under this method, the cost of providing benefits to an individual member will increase as the individual member ages and gets closer to retirement.

The assumed increases in the real rate of pensionable earnings (i.e. increase in excess of the assumed inflation rate) are dependent on the attained age of the members. These rates are based on recent experience of the Plan and current expectations for future years.

Demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates, and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Plan and on the expectations for future trends.

7. Accrued pension obligation (continued):

The major economic and demographic assumptions used in the 2012 valuation remained unchanged from those used in the 2011 valuation, with the exception of the following:

(a) total rate of return on assets (i.e. the discount rate), which changed from 6.60% to 6.50%,
(b) inflation, which changed from 2.50% to 2.25%,
(c) salary increases, which changed from 2.50% plus promotional scale to 2.25% plus promotional scale.

	Valuation December 31, 2012	Valuation December 31, 2011
Inflation	2.25% per annum	2.5% per annum
Salary increase	2.25% per annum plus merit ranging from 0.0% to 2.5%	2.5% per annum plus merit ranging from 0.0% to 2.5%
Total rate of return on assets (i.e. discount rate)	6.50% per annum	6.60% per annum
Average retirement age	35% - earliest age for unreduced pension, but not before age 54 (age 55 for a member first hired on or after April 6, 2010);	35% - earliest age for unreduced pension, but not before age 54 (age 55 for a member first hired on or after April 6, 2010);
	65% - earlier of age 60 and 35 years of service	65% - earlier of age 60 and 35 years of service
Mortality	UP-94 projected with generational mortality improvements using scale AA	UP-94 projected with generational mortality improvements using scale AA

7. Accrued pension obligation (continued):

Valuations prior to 2010 reported assets on a market value basis. Commencing with the December 31, 2010 valuation, assets are reported on a smoothed value basis. The actuarial value of net assets of the Fund is established such that investment returns above or below the long-term rate of return assumption in effect for the year (December 31, 2012 and thereafter - 6.50%; December 31, 2011 – 6.60%) is recognized over five years to smooth fluctuations in the market value of net assets.

As at March 31, 2013, the actuarial adjustment was ($177,513) (March 31, 2012 - $35,922) which reflected the fact that there was a net gain on investments relative to assumptions that had not yet been recognized.

The accrued pension obligation as at March 31 is determined by an extrapolation performed by the Plan's actuary of the Plan's liabilities from December 31 of the immediately preceding calendar year, as reflected in the actuarial valuation. The following table reflects the extrapolated funding surplus (deficit) as at March 31, 2013 and as at March 31, 2012.

	2013 Extrapolated	2012 Extrapolated
Actuarial value of assets	$ 4,532,093	$ 4,405,927
Accrued pension obligation	4,686,652	4,541,817
Funding deficit	$ (154,559)	$ (135,890)

7. Accrued pension obligation (continued):

As at March 31, 2013 and March 31, 2012, the surplus (deficit) of the Fund's actuarial value of net assets available for benefits over accrued pension obligation is as follows:

	2013 Extrapolated	2012 Extrapolated
Net assets available for benefits	$ 4,709,136	$ 4,369,319
Present value of expected instalment payments	470	686
Fair value of net assets available for benefits	4,709,606	4,370,005
Actuarial value adjustment	(177,513)	35,922
Actuarial value of net assets available for benefits	4,532,093	4,405,927
Accrued pension obligation	4,686,652	4,541,817
Funding surplus (deficit) of actuarial value of net assets available for benefits over accrued pension obligation	(154,559)	(135,890)
Reversal of actuarial value adjustment	177,513	(35,922)
Surplus (deficit) of net assets available for benefits over accrued pension obligation	$ 22,954	$ (171,812)

8. Commitments:

The Fund has committed capital to investment in infrastructure over a definitive period of time. The future commitments are generally payable on demand based on the capital needs of the related investment. The table below indicates the capital amount committed and outstanding as at March 31, 2013.

	Committed	Outstanding
Canadian infrastructure	$ 30,000 CAD	$ 2,849 CAD
Non-Canadian infrastructure	$ 225,000 USD	$ 136,757 USD

9. Contributions:

	2013	2012
Employer:		
Matched current service	$ 84,202	$ 83,919
Matched past service	1,190	910
	85,392	84,829
Employee:		
Matched current service	84,202	83,919
Matched past service	1,190	910
Unmatched past service	2,624	1,377
Supplemental executive retirement plan contributions	48	60
	88,064	86,266
	$ 173,456	$ 171,095

10. Benefits:

	2013	2012
Benefits paid to pensioners	$ 222,575	$ 211,097
Benefits paid to surviving members	32,799	31,564
Refunds paid to terminated members	11,557	9,285
	$ 266,931	$ 251,946

11. Administrative expenses:

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Nova Scotia Pension Agency, a related entity. The following is a summary of these administrative expenses.

	2013	2012
Plan administration:		
Salaries and benefits	$ 1,306	$ 1,226
Professional services	688	448
Other	287	178
Technology	259	218
Supplies and services	171	167
Actuarial fees	51	81
Audit fees	55	33
	2,817	2,351
Investment expenses:		
Investment management fees	29,921	16,514
Transaction costs	843	1,134
Salaries and benefits	606	574
Custodian fees	572	504
Professional services	342	355
Other	113	106
	32,397	19,187
	$ 35,214	$ 21,538

12. Securities lending:

The Fund participates in a securities lending program where it lends securities that it owns to third parties for a fee. For securities lent, the Fund receives a fee and the borrower provides readily marketable securities of higher value as collateral which mitigates the credit risk associated with the program. When the Fund lends securities, the risk of failure by the borrower to return the loaned securities is alleviated by such loans being continually collateralized. The securities lending agent also provides indemnification if there is a shortfall between collateral and the lent security that cannot be recovered. The securities lending contracts are collateralized by securities issued by, or guaranteed without any limitation or qualification by, the government of Canada or the governments of other countries.

The following table represents the estimated fair value of securities that were loaned out and the related collateral:

	March 31, 2013	March 31, 2012
Securities on loan	$ 467,538	$ 408,132
Collateral held	$ 497,034	$ 433,090

13. Related party transactions:

Investments held in the Fund include debentures of the Province of Nova Scotia along with a promissory note. Effective January 26, 2011, PSS Investments I Inc., a wholly owned subsidiary of Nova Scotia Public Service Superannuation Fund, entered into a promissory note as bridge financing for the acquisition of an investment property in the amount of $5,750 payable on demand to its shareholder, Nova Scotia Public Service Superannuation Fund. Interest is calculated monthly at a rate of 5.13% per annum, with interest of $642 accrued to March 31, 2013. The promissory note will be paid in full at the time subsequent mortgage financing is obtained.

13. Related party transactions (continued):

The fair values of these investments are shown in the table below:

		2013		2012
Province of Nova Scotia debentures:				
Fair value	$	6,558	$	12,565
% of total assets		0.1		0.3
Promissory note:				
Fair value	$	6,392	$	6,098
% of total assets		0.1		0.1
Total fair value	$	12,950	$	18,663
% of total assets		0.2		0.4

The Nova Scotia Pension Agency ("NSPA") provides pension administration and investment services to the Plan. The Province of Nova Scotia pays all administration expenses on behalf of the NSPA and a full recovery is made from the Plan through its Fund. On March 31, 2013, the amount payable to the Province of Nova Scotia was $6,511 (March 31, 2012 - $7,311).

14. Capital management:

The main objective of the Fund is to sustain a certain level of net assets in order to meet the pension obligations of the Plan. The Trustee (note 1) manages the contributions and benefits as required by the Public Service Superannuation Act and its related Regulations. The Trustee approves and incurs expenses to administer the Plan in accordance with the Act.

Under the direction of the Trustee, the Fund provides for the short term financial needs of current benefit payments while investing members' contributions for the longer term security of pensioner payments. The Trustee exercises duly diligent practices and has established written investment policies and procedures, and approval processes. Operating budgets, audited financial statements, yearly actuarial valuations and reports, and as required, the retention of supplementary professional, technical and other advisors, are part of the Trustee's administration requirements.

14. Capital management (continued):

The Fund fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Goals ("SIP&G"), which is reviewed annually. The Fund manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the SIP&G. Increases in net assets are a direct result of investment income generated by investments held by the Fund and contributions into the Fund by eligible employees and participating employers. The main use of net assets is for benefit payments to eligible Plan members.

15. Subsequent event:

During the year the Minister of Finance was the Trustee of the Plan and the Fund; however, on April 1, 2013, the Plan and the Fund transitioned to a new joint governance structure. The newly created Public Service Superannuation Plan Trustee Inc. ("PSSPTI") assumed fiduciary responsibility for the Plan and the Fund from the Minister of Finance. As of this point the Minister of Finance will have no further legal liability for the Plan and the Fund. These changes are outlined in the 2012 Public Service Superannuation Act ("PSSA"). That act repealed the existing Public Service Superannuation Act and replaced it with a new Public Service Superannuation Act.